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vo Ancient Insurers . Philadelphia Flourish espite Relaxed Ways

'erpetual Fire Protection Firms Earn Rich Return: oards Dine by Candlelight

Sticking to Brick and Stone

CPYRGHT * LYNN MAPES

PHILADE PHIA-How to succeed in the re insurance business without really trying: offer an outmoded form of coverage. Adveras little as possible and don't exert yourself seeking new business. Throw elegant dinner parties for your directors month. And keep the company wine of

Maybe that's the wrong .o about things. But it works for two small but venerable outfits here: The Philadelphia Contributionship for the Insurance of Houses From Loss by Fire, founded by Ben Franklin in 1752, and its long-time river Mutual Assurance Co. for Insuring Ho Pron Loss by Fire, founded in 1784. The nation' oldest insurance concerns, they cor thue to grow richer each year, piling up fat surpluses that larger insurers regard with ave.

To it ock-m-trade is "perpetual" fire protectic A ACC a stable of the insurance industry days only an anachronism. For a lat : ap-sum premium—usually of several hu. ollars- the companies agree to insporty for as long as title remains in SU nolder's family. In turn, they invest 1h. $th\epsilon$ um and use the income to offset COF

vidends Payn.

over two centuries of doing business, Spi howevincome from these invested premium: has far exceeded costs. Today, the crusty aid firms live handsomely off their accumu: ed wealth-and pay dividends to policyhol. rs as well.

Other insurers often scoff at the pair. "They're relics of the past blessed with the accident of being rich," sniffs H. Richard Heilman, president of Insurance Co. of North America. "Those big surpluses should be better utilized."

But such advice falls on deaf ears. "We're like wealthy widows-everybody loves to tell us how to spend our money," H. Gates Lloyd. chairman of the Contributionship, observed mildly.

For example, last year the Contributionship with \$120.5 million of insurance in force shelled out a mere \$110,000 for losses. Net in come topped \$865,000, while year-end assets ex ceeded \$35 million-an unusually high figure relative to the insurance in force (over half the assets are in common stocks). The balance sheet of Mutual Assurance, which has slightly larger assets, is equally impressive.

The companies concentrate on insuring dwellings, many of which are located in Phila delphia's historic Society Hill section of Colo nial homes. Commercial buildings are looked on askance, although a few large charitable in stitutions are covered.

Protests From Tree Lovers

In its early days, the Contributionship flatly refused to insure houses located near trees; branches would impede the flow of water from the feeble fire pumps of the day, it insisted. Irate tree lovers formed Mutual Assurance to accept such risks, and a few years later the Contributionship dropped its prejudice against trees. Even today, Mutual Assurance is known informally as the Green Tree Co. for the leafy oak it adopted as its symbol.

Both firms resent the widespread belief that they actively discourage new business. "People say we only write fire insurance on stone quar-husiness, directors of both companies insist res full of water I get tired of hearing that," upon keeping advertising to a modest scale, complains the Contributionship's Mr. Lloyd, a rominent investment banker. He concedes, wever, that the companies prefer to protect brick or stone houses with slate roofs less than 600 feet from a fire plug."

Throughout their long lives, the two insurers have been remarkably immune from criticism. One shattering exception was what's referred to as "the raid of 1894." Some policyholders charged the Contributionship was only interested in avoiding risks, maintaining assets and keeping its directors content. The attitude of the board, the dissidents declared, was "that of mouse snugly ensconced in a rich old cheese." However, the old guard was overwhelmingly upheld in a special election.

Nor do state regulatory agencies give the firms much trouble. In fact, Mutual Assurance isn't subject to Pennsylvania insurance laws at all. The reason: The firm's charter predates the state's constitution. Hence, under a grandfather's clause, it's immune from regulation. (The Contributionship isn't as fortunate; unlike its competitor, it has amended its charter in recent years and thus is subject to state ir surance laws.)

A Frosty Letter

Pennsylvania's Insurance Commissioner avid Q. Maxwell says he's not worried about Mutual Assurance being beyond his bailiwick. The company is of unimpeachable integrity, and it generally complies with our rules anyway," he says. Nonetheless, he recalls that about 10 years ago, his office questioned a minor item in the firm's annual report. "The company sent us back a frosty letter saying it filed the reports with us only as a courtesy. It threatened to stop sending them altogether unless we agreed not to question them-so we agreed," Mr. Maxwell says with a sigh.

Both insurers are widely respected for excellent, if conservative, management. To a man, their directors are influential pillars of Philadelphia's business and professional circies. Comments Insurance Comissioner Maxwell: "To sit on those boards is to have ar-

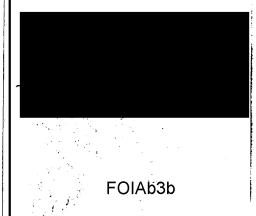
CPYRGHT, directors gather he offices of the two companies, which are le ated in handsome red brick townhouses a few oors from one another near Independence Iall. Following work session of an hour or so. oard members : :ourn ups: . . s for cocktails and tastefully cattered candles ht dinners. A ampling of a recent Contributionship dinner: Dysters, green turtle soup and filet of beef with wine offerings of sherry, whose wine, claret champagne, brandy and Mageira.

Mutual Assurance adds a historical note to ts affairs. Following the meal, the chairman alls out, "Gentlemen, are you charged?" Flasses are filled, or "charged," with Madeira ind the company is toasted. After a suitabl ause comes a second toast, "To the memory of Washington"—a traditic, since 1799 when nessenger interrupted a directors dinner with news of the first President's de.

Both firms have maintained were cellars in heir basements for years. Mutual Assurance is noted for having the more extensive wine list, although it suffered a schack last year when several bottles of an 1865 deira soured and ad to be thrown at 😘 was a real tragdy,'' says Daniel Wh . assistant trea surer, who keeps the cellar stocked.

In line with their cautious approach to new usually occasional newspaper and or spot radio announcements. Coverage is limited to the city

and a few suburban counties in Pennsylvania 'Why should we expand? We're better of sticking to our knitting," explains Mutual As surance Chairman James E. Gowen, a retired banking executive.



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